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No. 93-250

In The

Supreme Court of the United States

October Term, 1993

NATIONAL EDUCATIONAL SUPPORT SYSTEMS, INC.,

Petitioner,

v.

AUTOSKILL INC.,

Respondent.

On Petition for Writ of Certiorari To The United States Court of Appeals For the Tenth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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COUNTERSTATEMENT OF THE QUESTION PRESENTED

Whether in a case in which the U.S. Court of Appeals has unanimously affirmed a preliminary injunction for software copyright infringement, where the circuit court and the district court each carefully applied the accepted case law approach for analyzing substantial similarity of protectible elements of computer programs, and where the record contains clear evidence of substantial copying of protectible elements of plaintiff's computer software, as indicated not only by expert evidence on the comparison of specific elements under the generally accepted case law approach for evaluation of substantial similarity of protectible elements of software, but also by strong non-technical circumstantial evidence of copying, should this Court change the case law standard by narrowing the scope of copyright protection for software, to reverse the injunction?

This counterstatement is offered because Petitioner's statement contains erroneous suggestions as to the nature of the decisions below, as detailed hereinbelow.

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Respondent Autoskill Inc. (hereinafter "Autoskill") respectfully prays that this Court deny the petition for a writ of certiorari filed by petitioner National Educational Support Systems, Inc. (hereinafter "NESS"), for the reasons detailed below.

COUNTERSTATEMENT OF THE CASE

NESS seeks review not of a final judgment, but of an interlocutory order, a preliminary injunction which was unanimously affirmed by the circuit court. *Autoskill, Inc.*

v. National Educational Support Systems, Inc., 793 F. Supp. 1557 (D.N.M. 1992), *aff'd*, 994 F.2d 1476 (10th Cir. 1993); the opinions being correctly set out in Pet. Apps. A and B, Pet. pp. 1a-86a.

NESS appeals a preliminary injunction granted on Autoskill's claim of infringement of its U.S. copyright in its reading education software, by NESS's development and marketing of an infringing program[1]. As found by the trial court, NESS was formed by two persons thoroughly familiar with the Autoskill software, Ronald Neil and Byron Manning, Neil having sold the Autoskill software on a Unisys computer for four years as a salesman for Unisys and having admitted that he and Manning were thoroughly familiar with the AUTOSKILL software. Pet. at 51a, Finding No. 14. After NESS had in 1989 attempted unsuccessfully to obtain a license to distribute the Autoskill software (Pet. at 3a; 51a Finding No. 15), Neil instructed Mr. Beckwith of the programming firm

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[1] Pursuant to this Court's rule 14.1(i), Autoskill notes that the trial court had subject matter jurisdiction of Autoskill's copyright infringement claim under both 28 U.S.C. §1332(a) and 28 U.S.C. §1338(a). 28 U.S.C. §1332(a) provides in pertinent part: "The district courts shall have original jurisdiction of all civil actions where the matter in controversy shall exceed the sum or value of $50,000, exclusive of interest and costs, and is between- . . . . (2) citizens of a State and citizens or subjects of a foreign state; . . . ". 28 U.S.C. §1338(a) provides in pertinent part: "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to . . . copyrights . . . ". The findings of the trial court support its conclusion that it had jurisdiction under both statutes. Pet. at 49a, findings nos. 1-4; 58a.

which programmed the NESS software, Automation Consultants Inc. ("ACI"), that it was "to be like AUTOSKILL" and was to be an "AUTOSKILL REPLACEMENT". Pet. at 3a; 51a, Finding No. 20. Although ACI did the programming for the NESS SOFTWARE, NESS specified the program content. Pet. at 3a-4a; 51a, Finding Nos. 16-18. Before ACI programmed the NESS software, NESS had given Beckwith an Autoskill document describing the AUTOSKILL software in detail (Beckwith had written "AUTOSKILL PAPERS ARE EXCELLENT" in his notes) and had also demonstrated the AUTOSKILL software to Beckwith. Pet. at 52a, Findings 21-23.

Thus in addition to the technical evidence offered through the parties' expert witnesses, there was strong non-technical evidence indicative of NESS's access to, and copying of, the AUTOSKILL software.

The petition of NESS erroneously states that Autoskill's copyright ownership is questionable (Pet. at 5), though NESS does not raise ownership as an issue in the petition, as it should if it really believed its own statement. The statement is false: The Tenth Circuit pointed out, in rejecting NESS's ownership argument raised there, that NESS had never controverted Autoskill's testimony, admitted without objection, that it had obtained an assignment of copyright from the firm which had programmed the software, which NESS had claimed might own the copyright. Pet. at 22a-23a.

SUMMARY OF ARGUMENT

The petition should be denied because it does not present issues needing resolution by this Court, since the purported issues raised by NESS contain erroneous suggestions about the decisions below, and since the district and circuit courts carefully followed the now accepted test for comparison of computer programs; and because this case is a poor vehicle for resolution of the issues raised by NESS, in light of statements in NESS's own petition; and because there is no reason to expect that plenary review by this Court would lead to any result other than another affirmance of the preliminary injunction; and because NESS seeks review of an interlocutory order, rather than a final judgment.

ARGUMENT: REASONS FOR DENYING THE WRIT

A. The Petition Does Not Present Issues Needing Resolution By This Court

The purported issues raised by NESS contain four erroneous suggestions about the nature of the decisions below, as detailed at the end of this section. However, viewing NESS's issue statement in terms of its broadest common theme, and overlooking such errors for the moment, NESS appears to be asking this Court to address, as elsewhere explicitly stated in its petition, " . . . the issue of the proper scope of protection for a copyrighted computerized reading program." Pet. at 3. That issue does not need this Court's attention, because the circuit courts have already satisfactorily resolved the matter, by adopting a now generally accepted method of

analysis, which was applied by both courts below in this case.

The Tenth Circuit opinion, like that of the district court, carefully applied what has recently emerged among the circuits as the accepted approach for analyzing the substantial similarity of copyright-protectible elements of computer programs, which was first recommended by the leading copyright law treatise. This is an approach of filtering out of the software comparison unprotectible elements, which may well be the same for reasons other than copying (e.g., abstract ideas; elements dictated by logic and efficiency; elements dictated by external considerations such as hardware or software standards; or standard programming practices; and elements taken from the public domain), and looking for substantial similarity of the remaining materials, after the filtration process is completed. *Nimmer on Copyright* §13.03 [F] at 13-102.12 through 13-102.35. In filtering out abstract ideas, the approach applies a level of abstractions analysis to help separate unprotectible ideas, the more abstract elements, from protectible expression of ideas, which are more specific elements. *Id.* at 13-102.14 through 13-102.16.

This is essentially the same test applied by the Second Circuit in *Computer Assoc. International, Inc. v. Altai*, 982 F.2d 693, 706 (2d Cir. 1992) (hereinafter "*Altai*"), a test which NESS not only approves but recognizes has been accepted by the Ninth and Federal Circuits, with NESS having recognized that it involves the steps of abstraction, filtration and comparison of remaining materials. Pet. at 23.

This approach, expressly endorsed by NESS (Pet. at 23), has now become the accepted one among the circuits. *Computer Associates Intern., Inc. v. Altai, Inc.*, 982 F.2d 693, 706 (2d Cir. 1992); *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1524-1525 (9th Cir. 1992) ("In our view . . . the Second Circuit's approach [in *Altai*] is an appropriate one."); *Atari Games Corp. v. Nintendo of America Inc.*, 975 F.2d 832, 839 (Fed. Cir. 1992).

It is the approach approved and followed in the present case, by both the Tenth Circuit and the district court. Pet. at 26a-27a; 66a-82a. Autoskill rejects as patently false NESS's statement, Pet. at 24, that "The Tenth Circuit stands alone in its refusal to adopt *Altai* for the purpose of excluding all non-protectible elements before looking at overall similarity.", in view of the Tenth Circuit's express approval of the trial court's use of this method:

> To determine whether any portions of Autoskill's computer program were protectible, the district judge used a three-step method of analysis recommended in [Nimmer; cite omitted], a variation of which was recently adopted by the Second Circuit in *Altai*: abstraction, filtration, and comparison [footnote omitted]. In this preliminary injunction appeal we need not decide which is precisely the correct method of analysis for a final copyright judgment, [citation omitted], because *we are satisfied that the trial judge used a permissible method of analysis here* . . .

Pet. at 26a-27a (First emphasis in original; final emphasis added); See also Pet. at 33a, following *Altai* on filtration analysis. The fact that the Tenth Circuit did not commit itself as to the appropriate method to be followed in

review of a "final copyright judgment", is irrelevant here. The appellate court clearly approved, and itself employed, the filtraton/abstraction method as approved by the decisions of other circuits including *Altai*, in review of the preliminary injunction at issue here.

Thus, contrary to NESS's predictable assertion that there is a split among the circuits, there is no split here as to the approach to be followed, in the substantial similarity analysis for software. Obviously in applying the approach, for the very different kinds of software involved in different cases, the lower courts must have some latitude, as to details of the application. The exercise of some latitude and variation of detailed application of the test in this respect does not constitute a serious circuit split calling for intervention by this Court.

The Nimmer treatise has recognized that the district court in this case essentially followed the now-accepted filtering approach recommended by the treatise, making the following observation about the district court opinions in this case and in *Altai*:

> The fact that *Autoskill* reached a ruling in favor of plaintiff, whereas *Altai* reached a defense judgment, indicates that the successive filtering analysis is designed as a neutral test, favoring neither copyright owners nor alleged infringers.

Nimmer, supra, at 13-102.13 n. 284.

NESS also seeks review, erroneously, on the basis that there was no evidence that it had access to the Autoskill source code. Second of Questions Presented, and Pet. at 6, 16. NESS overlooks the now well established case law, that copyright protection for software is not limited to

protection of the source code, but also extends to non-code elements, termed nonliteral elements of the software, as recognized in *Altai* itself. 982 F.2d at 702-703, citing additional cases on the issue; *Johnson Controls v. Phoenix Control Systems*, 886 F.2d 1173, 1175 (9th Cir. 1989) ("The district court held that Phoenix control could infringe Johnson's copyright without copying the literal elements of the program, which include the source and object code. This holding is not an incorrect statement of the law."); *Lotus Dev. Corp. v. Paperback Software Intern.*, 740 F.Supp. 37, 54 (D. Mass. 1990) (expressly recognizing that non-literal software elements may be protected by copyright). And regarding the facts of *Altai*, NESS wrongly suggests that program code copying was a factor in the Second Circuit's decision, Pet. at 16 ("In this case, unlike *Altai* . . . the evidence is that neither the source nor the object code of the Autoskill program was copied . . . "). In fact, in *Altai*, although an earlier version of defendant's program had been prepared with source code copying, 982 F.2d at 700 (Program OSCAR 3.4) no copyright infringement claim for that version was involved in the appeal. 982 F.2d at 701. The appealed version (OSCAR 3.5; See 982 F.2d at 701) involved no source code copying, 982 F.2d at 702, and the Second Circuit expressly stated that its analysis was concerned only with similarity of non-literal program elements. 982 F.2d at 703 ("We must determine the scope of copyright protection that extends to a computer program's non-literal structure. . . . In this case . . . we are concerned not with a program's display, but the program itself, and then only with its non-literal elements.")

NESS's four purported issues also do not justify the grant of the petition, because they contain four false suggestions about the decisions below: The statement of the first purported issue wrongly indicates that the courts below extended protection to "educational theories". In fact, the trial court opinion expressly excluded protection of educational theory per se and the circuit court approved of that action. Pet. at 29a, 69a, 73a (rejecting copyright protection for the theory of testing and training according to the type A, O and S reading disability sub-types). NESS's statement of its second purported issue wrongly suggests that there was no access to Autoskill documentation, and that the only similarity of the softwares' appearance was in "standard methods" of presenting test material. In fact, although there was no evidence of NESS's access to source code, NESS had given its programming firm an Autoskill document containing a detailed description of the AUTOSKILL software. Pet. at 52a, Finding no. 22. And the record showed, as found by the trial court, that specifics of the ways that the AUTOSKILL software expressed the diagnosis and training of students under the sub-types approach, were not standard, but could be expressed in more than one way. Pet. at 54a, Finding nos. 38 and 39, 72a (re specific manner of presenting multiple choices to students). NESS's third purported issue wrongly suggests that the trial court did not apply the merger and scenes a faire doctrines, in filtering analysis, before comparing the softwares for substantial similarity. In fact, the trial court specifically applied the merger doctrine to exclude from protection the use of thirteen skill levels based on different combinations of vowels and consonants. Pet. at 54a, Finding no.

40; 73a. And the trial court specifically applied the scenes a faire doctrine, to exclude from protection the use of "silent sentence" and "silent paragraph" components of the AUTOSKILL software, which the court deemed to be "so standard in the field that they cannot be afforded protection". Pet. at 73a. And NESS's statement of its purported fourth issue wrongly suggests that the AUTOSKILL software is a mere computerization of educational theory. This is false. As the Tenth Circuit pointed out, the record shows that the AUTOSKILL software involved substantial additional elements, beyond published educational theory, as shown both by expert testimony on the uniqueness of the AUTOSKILL software, and also by evidence of specific changes which Autoskill had to make in previous techniques, to create effective training software. Pet. at 35a-37a (concluding that "This testimony shows that the Autoskill program was unique and was not drawn directly from the Doehring research.").

B. This Case Presents a Very Poor Vehicle for Resolution of Issues Raised by Petitioner

Even should this Court feel that there is a need for the Court to soon address issues concerning the scope of software copyright protection, the Court will soon have far more appropriate vehicles than this case, for resolution of such issues. NESS itself states that the economic interests involved in the computer industry are very large, and that other computer software copyright cases are "winding their way up the ladder of appeals". Pet. at 8. If so, this Court can soon expect other opportunities to select from among cases raising such issues as NESS

asserts here. According to NESS's own statements about the strong economic interests involved in the computer industry, these will likely include cases in which there is no reason to doubt that the economic interests of the parties on both sides of the case are sufficiently strong, so that the issues will be very thoroughly developed by both sides, in the courts below and in this Court. But in the present case there is reason for strong doubt on this score: The NESS petition states that the Tenth Circuit appeared to have assumed

> . . . that the critical scope of public policy and scope of copyright issues which Petitioner tried to raise on appeal would all be resolved at the trial of the case. [citation omitted]. They will not, since NESS is bankrupt and could only bring this petition because Petitioner's legal counsel agreed to do so on essentially a *pro bono* basis, due to the importance of the issues involved to the entire computer industry.

Pet. at 10. The alleged fact that counsel was so moved by concern about the alleged importance of the issues, to agree to prepare "this petition" on an "essentially" pro bono basis, well knowing the long odds against the granting of certiorari petitions, does not remove the doubt. If this Court moves this matter beyond the petition stage into plenary review of all the issues asserted by NESS, by granting the petition, NESS's own above-quoted statement raises a serious question as to whether the issues would be fully developed in this Court, since NESS, by its own counsel's statement, is not capable of fully developing the issues in the trial court. Even if NESS's counsel's alleged concern for the computer industry continues to exist during plenary review by this Court, that is no

substitute for having on both sides of a case parties with economic interests sufficiently strong to more realistically assure full development of the issues, as specifically applicable to those particular parties. It would be a sound exercise of the Court's discretion, to select a better vehicle than the present case, for resolution of software copyright issues.

C. There Is No Reason to Expect That Review of the Circuit Court Decision By This Court Will Lead to any Different Result

The trial judge issued a very thorough, carefully reasoned opinion, in which the court gave careful consideration to NESS's arguments about the scope of copyright protection. The preliminary injunction was affirmed unanimously by the appellate panel, also in a carefully reasoned opinion, with thorough consideration of the NESS challenges to the trial court decision, including issues as to the scope of copyright protection for software. And as already pointed out, both courts below employed the filtration/abstractions method of substantial similarity analysis recommended by the leading copyright treatise, and recently endorsed by other circuits. Had there been a split between the decisions of the trial court and the circuit court, or at least a dissent among the three judges on the circuit court panel, or had the panel decision at least reflected a split with other circuits, which it did not, there might have been reason to think that review by this Court might lead to reversal. But here four federal judges, in two carefully reasoned opinions, both following the accepted approach for comparison of

computer programs in copyright cases, have all come down on Autoskill's side.

Moreover, much of NESS's argument on the merits can fairly be summarized as an argument that the courts below erred as to drawing the line between uncopyrightable ideas, and copyrightable expression of ideas, for the Autoskill software. See, e.g., Questions Presented, Questions Nos. I-IV; and Pet. at 3-4, 25-30. The question of whether the similarities between the NESS and Autoskill software are similarities of ideas or expression, is a question of fact. *SAS Institute Inc. v. S & H Computer Systems, Inc.*, 605 F.Supp. 816, 829 (M.D. Tenn. 1985) ("Whether the similarities shown between the S & H [software] product and SAS are similarities of idea or expression is a question of fact [Citation omitted]."). Thus the district court's line drawing between idea and expression in the software is subject to the clearly erroneous standard of review. It is unlikely to be overturned by this Court, since the strong evidentiary support for that line drawing, evident from review of the trial court opinion including the trial judge's discussion of the expert testimony (See, e.g., Pet. at 52a-55a, findings nos. 24-50; 70a-74a), indicates that his line drawing *at minimum* reflected a permissible view of the evidence, which therefore cannot be clearly erroneous. *Anderson v. Bessemer City*, 470 U.S. 564, 574 (1985) ("Where there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous. [citations omitted].").

This conclusion is also warranted because the trial court's line drawing was affected by the court's assessment of the weight and credibility of conflicting expert testimony. The trial judge gave significant weight to the

testimony of Autoskill's principal expert, Dr. Richard Olson. See, e.g., Pet. at 71a - 72a. The judge's specific findings on the experts' qualifications justified his having given greater weight to Dr. Olson's testimony, than to the testimony of NESS's principal expert, Mr. Johnson-Laird, since Dr. Olson was strongly qualified in both reading education and use of software in reading education, while Johnson-Laird was qualified only in software, and since Dr. Olson had also reviewed copyright law materials for this case, while Johnson-Laird had not. Pet. at 55a - 56 a, findings nos. 55 and 56. This matter of the relative weight and credibility to be accorded to the testimony of parties' experts, is a matter in which appellate courts should particularly defer to the judgment of the trial courts. *Bodrug v. United States*, 832 F.2d 136, 140 (10th Cir. 1987); *Velez v. Metropolitan Life Ins. Co.*, 723 F.2d 7, 10 (10th Cir. 1983). Nevertheless, the Tenth Circuit panel carefully considered NESS's challenge to the the weight the trial judge gave to the testimony of Dr. Olson, also discussing his qualifications in detail, and found no clear error or abuse of discretion by the trial court. Pet. at 31a - 32a, n. 19.

These circumstances all indicate that the grant of certiorari would likely be a waste of this Court's valuable time, leading only to yet another affirmance of the trial court's preliminary injunction.

D. Petitioner Seeks Review of an Interlocutory Order rather than a Final Judgment

This Court has traditionally been quite reluctant to grant certiorari for review of interlocutory orders, as

opposed to final judgments. R.L. Stern et al., *Supreme Court Practice* (BNA, Sixth edition, 1986), at 224. Apparently recognizing this, NESS wrongly states that the preliminary injunction hearing involved "nearly all the evidence likely to come out at a full trial". Pet. at 7. Of course Autoskill was not required to offer the evidence of the amount of monetary damages which might be offered at full trial on the merits. And since the preliminary injunction hearing was held early in the case, there had not been the opportunity for the parties to develop through discovery the evidence that could have been developed in the normal course and offered at trial on the merits, on the various claims and defenses. Thus NESS's attempt to equate the preliminary injunction hearing with a trial on the merits is unsound, and this Court's traditional reluctance to review interlocutory orders is appropriately applicable here.

CONCLUSION

For all the reasons set forth above, Autoskill respectfully asks that the NESS petition be denied. The petition asserts issues which need not be addressed by the Court at this time. Alternatively, even should such issues warrant being addressed by the Court in the near future, NESS's own petition statements indicate that much better case vehicles will be soon available for resolution of such issues, than the present case. There is no reason to expect that plenary review by this Court, of the issues asserted by NESS, would lead to any result other than another affirmance of the trial court decision. And lastly, this Court's traditional reluctance to review interlocutory

orders should resolve any doubts on the matter, that denial of this petition is the appropriate action.

Respectfully submitted,
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